

## CHAPTER 9

ACCOUNTS PAYABLE0901 GENERAL

090101. Purpose. This chapter provides guidance to be followed in recording and liquidating amounts payable by DoD Components. The processes described in this chapter implement the accounting principles and policy contained in Chapter 8 of this Volume and complement the processes contained in Chapter 1 of this Volume as they relate to disbursements for goods and services received by DoD Components.

090102 Overview

A. The payables discussed in this chapter deal with all payables except those due federal employees, both civilian and military, for personal services.

B. Recording of an accounts payable generally is the first transaction level entry in the proprietary accounts. Until goods and services are received by a DoD Component, the transaction is recorded in the budgetary accounts as an undelivered order. When an accounting station receives evidence that performance has occurred, the transaction is recorded simultaneously in the budgetary accounts as an accrued expenditure unpaid and in the proprietary accounts as an accounts payable. This compound entry provides an internal check and balance in the accounting system by assuring that amounts recorded as accrued expenditures unpaid are equal to the amounts recorded as accounts payable. Figure 2-1 in chapter 2, of Volume 1, of this regulation illustrates the relationships between the budgetary accounts and the proprietary accounts.

C. Accounts payable are amounts owed for goods and services received (i.e., actual or constructive delivery).

D. Accounts payable include amounts for the following:

1. Goods and other property purchased and received.

2. Services performed by employees, contractors, grantees, and lessors supported by contractor invoices and other documentation that acknowledges receipt of service.

3. Amounts owed at the end of the accounting period under programs for which no further performance of services by payees is required (such as annuities, insurance premiums, and some cash grants).

0902 ACCOUNTING POLICY FOR PAYABLES

090201 Amounts recorded as payables shall be supported by documentation that clearly shows the basis for the amount recorded as a payable and the terms upon which payment is to be made.

A. The basis for recording an accounts payable shall be a receiving report that clearly shows the quantities received and accepted or services performed and accepted by the DoD. Such quantities shall be based on actual counts of the items delivered by the vendor. When applicable, accompanying inspection reports for the goods or services shall be attached to the receiving report. In such instances, the inspection report, together with the receiving report, serves as the basis for recording the liability.

B. Periodically, but at least annually, the balances in the accounts payable accounts shall be reconciled to the supporting documentation. Differences shall be researched and any necessary adjustments shall be fully documented.

090202 Amounts recorded as payables shall be net of all discounts offered by vendors, which

are economically justified. The decision as to whether the discount shall be taken is to be made using the guidance contained in chapter 2 of this Volume.

090203 An accounts payable for goods and services shall be recorded when supported by a receiving report and an inspection report or when other evidence of performance is received by the accounting station. When an obligation has not been recorded in the accounting system prior to receipt of the goods and services, the procedures outlined in paragraph 090204, below, shall be followed.

090204 For items manufactured to DoD specifications, the DoD Component shall record the appropriate payable, including contract retentions, based on requests for progress payments. Such amounts shall be supported by contract administrator certification as provided in the Defense/Federal Acquisition Regulations (DFAR). The offsetting entry for such payable shall be made to the appropriate prepayment account or construction in progress accounts described in chapters 4 and 6 of this Volume.

090205 The inability to match a performance report or invoice to the applicable undelivered order may indicate a breakdown of fund control processes and a material weakness in internal controls. When the process of posting a transaction to accounts payable does not disclose a matching transaction in the undelivered order account, there may be evidence that a contract either has not been awarded or a posting error has occurred. In this circumstance, the accounting office shall request the necessary documentation to support the required accounting entry. Appropriate officials shall be notified when it appears that performance reports or invoices are being received without a corresponding undelivered order having been previously recorded.

090206 When authorized under 10 U.S.C. 2326, an accrued expenditure unpaid may be established skipping the undelivered order phase. (These actions are known as Undefined Contract Actions (UCAs). Limitations on UCAs are discussed in the DFAR.

When this situation occurs the posting in the budgetary account shall be made simultaneously with the corresponding entry in the proprietary inventory and/or expense accounts and accounts payable.

090207 Transactions representing the value of goods and services accepted by DoD Components under "fast pay" procedures requires special attention. These payments create an abnormal balance in both the budgetary account accrued expenditures-unpaid and the proprietary accounts payable, since the transaction is recorded as a debit entry in both of these accounts without a matching previously recorded credit entry.

A. Under fast pay procedures, the contractor certifies that delivery has been made at the time the invoice is presented for payment and this certification is considered a sufficient basis for disbursement. Since payment is made based on the contractor's certification, accounting stations shall establish sufficient controls to assure that receiving reports necessary to support the necessary credit entries are received within a reasonable period of time. Under no circumstances shall a journal voucher be processed to correct the abnormal balance in accrued expenditures-unpaid or accounts payable. When the required receiving report evidencing actual receipt of the items is not received within a reasonable period of time, accounting stations shall take action to determine whether the goods and services have been received. For those cases in which the items have not been received, the accounts shall be brought back in balance by the following entry:

Dr Accounts Receivable (Government or Public)-Current

Cr Accounts Payable  
(Government or Public)-Current

Offsets against current payments shall be supported by documentation signed by the appropriate official so that a clear audit trail is maintained until the transaction is completed. Guidance pertaining to the use and application of the fast pay process in the DoD is contained in chapter 2 of this Volume.

B. A special situation exists with Defense Business Operations Fund activities. When a Defense Business Operations Fund activity orders material and supplies to be delivered to a location, the recipient's payment of the billing constitutes evidence of receipt. This procedure is acceptable because the recipient has established an accounts payable to the Defense Business Operations Fund and, therefore, the payment provides assurance that the payee will be required to validate that the material has been received.

090208 DoD Components issuing monetary credits as compensation for property or services received from non-Federal Agencies shall record a liability equal to the value of the monetary credit. The use of such credits, however, shall be limited to those instances supported by specific statutory authority authorizing them. Such a credit would arise in a situation where a DoD Component enters into a barter agreement in which the services provided by the Component have a market value less than the services received by the Component. The cross servicing agreements for refueling NATO ships are examples.

#### 0903 ACCOUNTING FOR PAYABLES

090301 This section provides guidance for recording payables and illustrates the use of the applicable accounts. The accounts discussed are categorized as other accrued liabilities.

#### 090302 Liabilities (Account 2000)

A. "Liabilities" is a summary general ledger account used for financial reporting purposes. As such, no entries are posted to this account.

B. These accounts represent amounts owed by DoD Components for items or services received, expenses incurred, assets acquired, construction performed, and amounts received but as yet unearned.

#### 090303 Accrued Liabilities-Other (Account 2100)

A. "Accrued Liabilities-Other" is a summary general ledger account used for financial reporting purposes. As such, no entries are posted to this account.

B. These accounts represent the amounts DoD Components owe for goods and other property ordered and received and for services rendered by other than employees.

#### 090304 Accounts Payable (Account 2110)

A. "Accounts Payable" is a summary general ledger account used for financial reporting purposes. As such, no entries are posted to this account.

B. These accounts represent amounts owed to federal or nonfederal entities for goods and property ordered and received, and for services rendered by organizations and people other than employees.

C. Subsidiary accounts shall be established as needed to meet external reporting requirements and to provide internal control over amounts owed to others.

#### 090305 Accounts Payable-Government-Current (Account 2111)

A. "Accounts Payable-Government-Current" represents amounts owed to U.S. Government Agencies for goods and services received but for which payment will be made in the current fiscal year.

B. Periodically, but at least annually, the balances recorded in this account and the related subsidiary accounts shall be reconciled with the voucher documentation files. Differences shall be researched and, if necessary, the accounts adjusted.

C. Table 9-1 illustrates the most common entries used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 2111 -  
ACCOUNTS PAYABLE-GOVERNMENT-CURRENT**

1. Dr 1510 Inventory for Agency Operations  
     Dr 1710 Land  
     Dr 1762 Equipment in Use  
     Dr 1766 Equipment Not in Use  
     Dr 1830 Automated Data Processing Software  
     Dr 6116 Travel and Transportation of Persons  
     Dr 6117 Transportation of Things  
     Dr 6118 Rent, Communications and Utilities  
     Dr 6119 Printing and Reproduction  
     Dr 6120 Other Services  
     Dr 6121 Supplies and Materials  
         Cr 2111 Accounts Payable-Government-Current

To record receipt of goods and services for which payment has not been made.

2. Dr 2111 Accounts Payable Government-Current  
         Cr 1012 Funds Disbursed

To record payment.

**TABLE 9-1**

D. Sources for entries to this account include invoices, inspection and receiving reports, and disbursement vouchers.

090306 Accounts Payable-Government - Noncurrent (Account 2112)

A. "Accounts Payable-Government-Noncurrent" is used to record those accounts payable that will not be paid within 1 year because delivery has not been completed or the documentation required for payment will not be received until a future date.

B. Periodically, but at least annually, the balances recorded in this account and the related subsidiary accounts shall be reconciled with the vendor files. Differences shall be researched and, if necessary, the accounts adjusted.

C. Table 9-2 illustrates the most common entries used for this account.

D. Sources for entries to this account include invoices, inspection reports, receiving reports, and journal vouchers.

090307 Accounts Payable-Public-Current (Account 2113)

A. "Accounts Payable-Public-Current" is used to record amounts owed to non-Federal Government organizations for goods and services received but for which payment has not been made.

B. Periodically, but at least annually, the balances recorded in this account and the related subsidiary accounts shall be reconciled with the vendor files. Differences shall be researched and, if necessary, the accounts adjusted.

C. Table 9-3 illustrates the most common entries used for this account

**ACCOUNTING ENTRIES FOR ACCOUNT 2112 -  
ACCOUNTS PAYABLE-GOVERNMENT-NONCURRENT**

1. Dr 1710 Land  
Dr 1730 Buildings  
Dr 1740 Other Structures and Facilities  
Cr 2112 Accounts Payable-Government-Noncurrent

To record receipt of assets for which payment will not be made within 1 year.

2. Dr 2112 Accounts PayableGovernment-Noncurrent  
Cr 2111 Accounts Payable-Government-Current

To transfer noncurrent liabilities to a current status.

**TABLE 9-2**

**ACCOUNTING ENTRIES FOR ACCOUNT 2113 -  
ACCOUNTS PAYABLE-PUBLIC-CURRENT**

1. Dr 1510 Inventory for Agency Operations  
Dr 1710 Land  
Dr 1762 Equipment in Use  
Dr 1766 Equipment Not in Use  
Dr 1830 Automated Data Processing Software  
Dr 6116 Travel and Transportation of Persons  
Dr 6117 Transportation of Things  
Dr 6118 Rent, Communications and Utilities  
Dr 6119 Printing and Reproduction  
Dr 6120 Other Services  
Dr 6121 Supplies and Materials  
Cr 2113 Accounts Payable-Public-Current

To record receipt of goods and services for which payment has not been made.

2. Dr 2113 Accounts Payable Public-Current  
Cr 1012 Funds Disbursed

To record payment.

3. Dr 2113 Accounts Payable Public-Current  
Cr 1012 Funds Disbursed  
Cr 2130 Contract Holdbacks

To record liquidation of progress payments with a percentage withheld to assure satisfactory completion of the contract.

**TABLE 9-3**

D. Sources for entries to this account include disbursing vouchers, contract documents, and journal vouchers with supporting documentation showing the computation of the amounts to be withheld.

**090308 Accounts Payable-Public-Noncurrent (Account 2114)**

A. "Accounts Payable-Public-Noncurrent" is used to record those accounts payable that will not be paid within 1 year because delivery has not been completed or the documentation required for payment will not be received until a future date. Included in this account are amounts set aside for foreign national separation pay and retirement when such payments are required pursuant to agreements negotiated with the respective foreign countries.

B. Periodically, but at least annually, the balances recorded in this account and the related subsidiary accounts shall be reconciled with the voucher documentation files. Differences shall be researched and, if necessary, the accounts adjusted.

C. Table 9-4 illustrates the most common entries used for this account.

D. Sources for entries to this account include invoices, inspection reports, receiving reports, and journal vouchers.

**090309 Claims Payable (Account 2115)**

A. "Claims Payable" is used to record adjudicated claims against the DoD which have not been paid.

B. Table 9-5 illustrates the most common entries used for this account.

C. Sources for entries to this account include legal documents and supporting opinions from counsel and payment vouchers.

**090310 Disbursements in Transit (Account 2120)**

A. "Disbursements in Transit" is used to record those outlays transmitted to a designated disbursing office by an accounting activity but that have not been processed by the disbursing office.

B. This account shall not be used without the prior approval of the Office of the Deputy Under Secretary of Defense (Comptroller /Financial Management)/Deputy Chief Financial Officer.

**090311 Contract Holdbacks (Account 2130)**

A. "Contract Holdbacks" is used to record amounts withheld from grantees or contractors pending completion of contracts.

**ACCOUNTING ENTRIES FOR ACCOUNT 2114 -  
ACCOUNTS PAYABLE-PUBLIC-NONCURRENT**

1. Dr 1710 Land  
Dr 1730 Buildings  
Dr 1740 Other Structures and Facilities  
Cr 2114 Accounts Payable-Public-Noncurrent

To record receipt of assets for which payment will not be made within 1 year.

2. Dr 2114 Accounts Payable-Public-Noncurrent  
Cr 2113 Accounts Payable-Public-Current

To transfer noncurrent liabilities to a current status.

**TABLE 9-4**

B. This account shall be supported by subsidiary accounts established for each vendor for which the contract holdback clause has been inserted in the contract.

C. Table 9-6 illustrates the most common entries used for this account.

D. Sources for entries to this account include contract documents, progress payment invoices from contractors or grantees, and contracting officer certifications authorizing release of funds.

#### **ACCOUNTING ENTRIES FOR ACCOUNT 2115 - CLAIMS PAYABLE**

1. Dr 6124 Insurance Claims and Indemnities  
Cr 2115 Claims Payable

To record adjudicated claims that have not been processed for payment.

2. Dr 2115 Claims Payable  
Cr 1012 Funds Disbursed

To record payment of claims.

**TABLE 9-5**

#### **ACCOUNTING ENTRIES FOR ACCOUNT 2130 - CONTRACT HOLDBACKS**

1. Dr 1542 Inventory-Work in Process-Contractor  
Dr 1722 Construction in Progress-Contractor  
Cr 2113 Accounts Payable-Public-Current  
Cr 2130 Contract Holdbacks  
Cr 1012 Funds Disbursed

To record amounts withheld from progress payments pending successful completion of contracts.

2. Dr 2113 Accounts Payable-Public-Current  
Dr 2130 Contract Holdbacks  
Cr 1012 Funds Disbursed

To record final payment on a contract and release of amounts withheld when the contract is certified as completed and accepted by the contracting officer.

**TABLE 9-6**

**090312 Accrued Interest Payable (Account 2140)**

A. "Accrued Interest Payable" is used to record interest that accrues on borrowings and overdue accounts with the passage of time and is not due until a later date.

B. DoD policy is to pay its liabilities when they become due and payable. Accordingly, interest expense incurred by DoD Components shall be considered incurred when the liability is processed for payment. Interest expense is to be considered a current period operating expense and DoD Components shall not use this account.

**090313 Other Accrued Liabilities (Account 2190)**

A. "Other Accrued Liabilities" is used to record those accounts payable that cannot be classified or assigned to a specific account described in this section.

B. Use of this account by DoD Components should be infrequent. Accordingly, DoD Components shall not use this account without specific guidance from the Office of the Deputy Under Secretary of Defense (Comptroller /Financial Management)/Deputy Chief Financial Officer.



ACCOUNT NO. 2000	
LIABILITIES	
<b>DESCRIPTION:</b> Represents amounts owed by DoD Components for items received, services received, expense incurred, assets acquired, construction performed and amounts received but as yet unearned.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 9-1	

ACCOUNT NO. 2100	
ACCRUED LIABILITIES - OTHER	
<b>DESCRIPTION:</b> Represents the amounts DoD Components owe for goods and other property ordered and received and for services received by other than employees.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 9-2	

ACCOUNT NO. 2110	
ACCOUNTS PAYABLE	
<b>DESCRIPTION:</b> Represents amounts owed to federal or nonfederal entities for goods and property ordered and received, and for services rendered by organizations and people other than employees.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 9-3	

ACCOUNT NO. 2111	
ACCOUNTS PAYABLE - GOVERNMENT - CURRENT	
<b>DESCRIPTION:</b> Represents amounts owed to U.S. Government agencies based on actual receipt of goods and services.	
DEBIT	CREDIT
1. Payments liquidating amounts owed.  Contra: 1012	1. Receipt of goods and services.  Contra: 1510, 1710, 1762, 1766, 1830, 1840, 6116, 6117, 6118, 6119, 6120, and 6121
<b>NORMAL BALANCE:</b> CREDIT	
FIGURE 9-4	

ACCOUNT NO. 2112	
ACCOUNTS PAYABLE - GOVERNMENT - NONCURRENT	
<b>DESCRIPTION:</b> Represents amounts owed the U.S. Government agencies or funds that will not be paid with 1 year.	
DEBIT	CREDIT
1. Change to a current payable. Contra: 2111	1. Evidence of actual receipt of goods and services. Contra: 1710, 1730, and 1740
<b>NORMAL BALANCE:</b> CREDIT	
FIGURE 9-5	

ACCOUNT NO. 2113	
ACCOUNTS PAYABLE - PUBLIC - CURRENT	
<b>DESCRIPTION:</b> Represents amounts owed to non-U.S. Government agencies for receipt of goods or services.	
DEBIT	CREDIT
1. Payments liquidating amounts owed.  Contra: 1012 and 2130	1. Receipt of goods and services.  Contra: 1510, 1710, 1762, 1766, 6116, 6117, 6118, 6119, 6120, and 6121
<b>NORMAL BALANCE:</b> CREDIT	
FIGURE 9-6	

ACCOUNT NO. 2114	
ACCOUNTS PAYABLE - PUBLIC - NONCURRENT	
<b>DESCRIPTION:</b> Represents amounts owed to non-U.S. Government agencies that will not be paid within 1 year.	
DEBIT	CREDIT
1. Change to a current payable. Contra: 2113	1. Receipt of goods and services for which payment will not be made this accounting period. Contra: 1710, 1730, and 1740
<b>NORMAL BALANCE:</b> CREDIT	
FIGURE 9-7	

ACCOUNT NO. 2115	
CLAIMS PAYABLE	
<b>DESCRIPTION:</b> Represents amounts owed based on adjudicated claims.	
DEBIT	CREDIT
1. Payments liquidating amounts owed for adjudicated claims.  Contra: 1012	1. Amount of adjudicated claims.  Contra: 6124
<b>NORMAL BALANCE:</b> CREDIT	
FIGURE 9-8	



ACCOUNT NO. 2120	
DISBURSEMENTS IN TRANSIT	
<b>DESCRIPTION:</b> Represents payments transmitted to a disbursing office by an accounting activity, which have not been processed by the disbursing office.	
DEBIT	CREDIT
<p>Do not use this account without prior approval  of the Office of the Deputy Under Secretary of Defense  (Comptroller/Financial Management)/  Deputy Chief Financial Officer</p>	
NORMAL BALANCE: CREDIT	
FIGURE 9-9	

ACCOUNT NO. 2130	
CONTRACT HOLDBACK	
<b>DESCRIPTION:</b> Represents amounts withheld from contractors and grantees in accordance with contract provisions.	
DEBIT	CREDIT
1. Payments to contractors and grantees at completion of contract.  Contra: 1012	1. Funds due to contractors but withheld pending satisfactory completion of contracts.  Contra: 1542, and 1722
<b>NORMAL BALANCE:</b> CREDIT	
FIGURE 9-10	

ACCOUNT NO. 2140	
ACCRUED INTEREST PAYABLE	
<b>DESCRIPTION:</b> Represents unpaid accrued interest on borrowings and overdue accounts.	
DEBIT	CREDIT
<p>Do not use this account without prior approval  of the Office of the Deputy Under Secretary of Defense  (Comptroller Financial Management)/  Deputy Chief Financial Officer</p>	
NORMAL BALANCE: CREDIT	
FIGURE 9-11	

ACCOUNT NO. 2190	
OTHER ACCRUED LIABILITIES	
<b>DESCRIPTION:</b> Represents those amounts owed that cannot be classified to a specific account payable account.	
DEBIT	CREDIT
<p>Do not use this account without prior approval of the Office of the Deputy Under Secretary of Defense (Comptroller/Financial Management)/ Deputy Chief Financial Officer</p>	
<b>NORMAL BALANCE:</b> CREDIT	
FIGURE 9-12	